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Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-01 INR-07 IO-10 NEA-10 NSAE-00 RSC-01

OPIC-06 SP-02 TRSE-00 CIEP-02 LAB-04 SIL-01 SWF-01

OMB-01 AEC-07 DODE-00 FPC-01 H-02 INT-05 L-02 NSC-05

PM-03 SAM-01 OES-05 SS-15 STR-04 FEA-01 CAB-05 DOTE-00

FAA-00 PA-02 PRS-01 USIA-15 FMC-02 CG-00 COA-01

DLOS-05 /164 W
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P R 121804Z DEC 74
FM USMISSION OECD PARIS
TO SECSTATE WASH DC PRIORITY 4735
INFO AMEMBASSY ANKARA
AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY MADRID
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO
AMEMBASSY VIENNA
AMEMBASSY WELLINGTON
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E.O. 11652: N/A

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TAGS: ENRG, OECD
SUBJECT: IEA: MEETING OF AD HOC GROUP ON BUNKERS

1. SUMMARY. IN ONE DAY MEETING DEC. 9, UNDER U.S. CHAIRMANSHIP, AD HOC GROUP MADE SOME PROGRESS TOWARDS CLARIFYING ISSUES INVOLVED IN TREATMENT OF AVIATION AND MARINE BUNKERS UNDER IEP EMERGENCY PROGRAM. SUBJECT TO CONCURRENCE OF STANDING GROUP ON EMERGENCY QUESTIONS (SEQ), AD HOC GROUP AGREED TO RECONVENE JAN. 7-8 IN PARIS FOR FURTHER CONSIDERATION OF UNRESOLVED ISSUES. END SUMMARY

2. AVIATION BUNKERS: EXTENSIVE DISCUSSION WAS DEVOTED TO QUESTION OF WHETHER, AND AT WHAT LEVEL, MANDATORY DEMAND RESTRAINTS SHOULD BE ESTABLISHED FOR CONSUMPTION OF AVIATION FUELS DURING EMERGENCY PERIODS. (IT WAS NOTED THAT QUESTION OF EMERGENCY STOCKS FOR AVIATION BUNKERS HAS ALREADY BEEN TAKEN INTO ACCOUNT INASMUCH AS AVIATION FUELS HAVE BEEN INCLUDED UNDER IEA DEFINITION OF STOCKS HELD BY EACH MEMBER COUNTRY.) A SUBORDINATE QUESTION WAS WHETHER ONLY INTERNATIONAL AVIATION BUNKERS SHOULD BE CONSIDERED, OR WHETHER INTERNATIONAL AND DOMESTIC AVIATION BUNKERS SHOULD BE LUMPED TOGETHER IN THE CALCULATIONS.

3. BRITISH DEL SUGGESTED MANDATORY 7 CUT IN INTER-NATIONAL AVIATION BUNKERS CONSUMPTION IN EVENT GENERAL TRIGGER IS PULLED. U.S. DEL SUPPORTED GENERAL CONCEPT OF MANDATORY AVIATION BUNKERS CUT DURING EMERGENCY, BUT RESERVED ON UK PROPOSAL THAT CUT BE DIRECTED ONLY AT INTERNATIONAL BUNKERS. U.S. DEL POINTED OUT THAT SUCH AGREEMENT MIGHT PLACE ONE U.S. INTERNATIONAL AIR CARRIER (PAN AM) AT CONSIDERABLE COMPETITIVE DISADVANTAGE, SINCE (AS OPPOSED TO VIRTUALLY ALL OTHER INTERNATIONAL AIR CARRIERS) PAN AM HAS NO DOMESTIC ROUTE STRUCTURE THROUGH WHICH IT MIGHT ENDEAVOR TO SPREAD, OR RECOUP, THE NEGATIVE ECONOMIC IMPACT CAUSED BY A MANDATORY CUT IN INTERNATIONAL BUNKERS.

4. THE AD HOC GROUP AGREED FORWARD THE FOLLOWING
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RECOMMENDATIONS TO THE SEQ:
I THAT MEMBER COUNTRIES SHOULD IMPLEMENT, IN AN EMERGENCY, A COMMON CUT IN AVIATION FUEL CONSUMPTION AMONG THE PARTICIPATING COUNTRIES (JAPANESE DELEGATION RESERVED ON THIS POINT);
II THAT FURTHER STUDY WAS NECESSARY ON THE FOLLOWING ISSUES:
(A) DEVELOPING A DEFINITION OF "INTERNATIONAL"

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FLIGHTS, AND HOW TO DISTINGUISH THESE IN PRACTICE FROM DOMESTIC FLIGHTS;

(B) DETERMINING WHETHER A COMMON CONSUMPTION CUT SHOULD APPLY TO NATIONAL AND INTERNATIONAL BUNKERS TAKEN TOGETHER, OR WHETHER THE CUT SHOULD APPLY ONLY TO INTERNATIONAL BUNKERS;

(C) DETERMINING WHETHER A COMMON DEMAND RESTRAINT LEVEL SHOULD BE PRE-SET, OR WHETHER IT SHOULD BE DECIDED UPON AT THE TIME THE CRISIS HITS;

(D) DETERMINING WHETHER A GROUP OF EXPERTS SHOULD BE ESTABLISHED WHICH WOULD, IN A CRISIS, EXAMINE THE OPERATIONAL CONDITION OF THE INTERNATIONAL AVIATION INDUSTRY AND ADJUST ANY PREVIOUS DECISIONS ON DEMAND RESTRAINT IN LIGHT OF EXISTING CONDITIONS (A UK PROPOSAL).

III THAT THE SECRETARIAT BE EMPOWERED TO MAKE UNOFFICIAL CONTACTS WITH OIL COMPANIES OR INTERNATIONAL BODIES (E.G. IATA OR ICAO) TO COLLECT NECESSARY DATA.

5. MARINE BUNKERS: MAJOR PART OF MEETING WAS DEVOTED

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TO SECSTATE WASH DC PRIORITY 4736
INFO AMEMBASSY ANKARA
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TO QUESTION OF WHETHER EMERGENCY STOCKPILE RESERVES SHOULD BE ESTABLISHED FOR INTERNATIONAL MARINE BUNKERS (WHICH ARE NOT INCLUDED AS STOCKS UNDER OECD AND IEA DEFINITION), AND WHETHER MANDATORY DEMAND RESTRAINTS ON BUNKER CONSUMPTION DURING EMERGENCY SHOULD ALSO BE IMPLEMENTED. GENERAL CONSENSUS WAS THAT DEVELOPMENT OF EMERGENCY RESERVES FOR INTERNATIONAL BUNKERS WOULD PLAY AN IMPORTANT ROLE IN MAINTAINING GROUP SECURITY DURING A CRISIS, PARTICULARLY SINCE (ACCORDING TO UK DEL) APPROXIMATELY 50 OF INTERNATIONAL BUNKERS ARE USED BY OIL TANKERS.

6. HOWEVER, THERE WERE DIFFERENCES OF OPINION WITHIN GROUP AS TO HOW, AND WHAT LEVEL OF, RESERVES SHOULD BE ESTABLISHED AND WHO SHOULD PAY FOR THEM. SOME (SUCH AS UK) FELT STRONGLY THAT COMPANIES SHOULD PAY. UK ALSO POINTED OUT THAT IF COST WERE BORNE ENTIRELY BY COUNTRIES WHERE MOST BUNKERS NOW LOCATED, THIS LIKELY WOULD DRIVE UP PRICE OF BUNKER FUELS IN THESE COUNTRIES SHIFTING BUNKER DEMAND ELSEWHERE, PERHAPS TO NON-IEA COUNTRIES, WHICH WOULD BE UNFAIR.

7. OTHERS, PARTICULARLY ITALY, FELT THAT HAVING COMPANIES PAY WOULD NOT HELP, SINCE COMPANIES IN SOME

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INSTANCES (SUCH AS ITALY) ARE GOVERNMENT-OWNED AND GOVERNMENT WOULD END UP BEARING COSTS IN ANY EVENT. JAPAN POINTED OUT DIFFICULTIES OF BUILDING ANY ADDITIONAL STORAGE CAPACITY IN JAPAN AND IMPORTANCE OF GROUP'S APPROVAL OF OVERSEAS STORAGE FACILITIES IN NON-IEA COUNTRIES. BOTH ITALY AND JAPAN STRONGLY STRESSED ECONOMIC DIFFICULTIES OF BUILDING UP ANY NEW STOCKPILES IN ADDITION TO THOSE ALREADY CONTEMPLATED IN IEP AGREEMENT, AND ITALY SAID NON-MARITIME MEMBERS OF IEA SHOULD SHARE COSTS OF ANY ADDITIONAL STOCKPILING PROGRAM. NETHERLANDS POINTED OUT THAT IF INTERNATIONAL BUNKERS WERE INCLUDED UNDER CALCULATIONS FOR STOCK LEVELS FOR INLAND CONSUMPTION, THEN PRESENT STOCKS ON HAND FIGURES WOULD HAVE TO BE REVISED DOWNWARD ACCORDINGLY (APPROXIMATELY 30 FOR NETHERLANDS).
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8. AS FAR AS MANDATORY DEMAND RESTRAINTS WERE CONCERNED, SOME DELS (INCLUDING UK) SAID THIS NECESSARY AND FEASIBLE AND COULD BE OFFSET BY SUCH MEASURES AS SLOW-STEAMING. OTHERS, INCLUDING U.S., STRESSED THAT OIL TANKER CONSUMPTION FORMS LARGE PART OF TOTAL BUNKER DEMAND, AND GROUP THEREFORE SHOULD BE VERY CAUTIOUS CONCERNING RECOMMENDING CONSUMPTION CUTS IN THIS AREA DURING CRISIS PERIOD.

9. IN ORDER TO RECONCILE THESE DIVERGING VIEWS, US DEL PROPOSED THAT SUB-GROUP SUGGEST TO SEQ THAT IEA DEVELOP EMERGENCY RESERVES TO COVER INTERNATIONAL MARINE BUNKERS, BUT THAT QUESTION OF HOW TO APPORTION COSTS AMONG MEMBER COUNTRIES FOR DEVELOPMENT OF SUCH RESERVES REMAINS TO BE DECIDED.

10. THE AD HOC GROUP AGREED TO RECOMMEND THE FOLLOWING TO THE SEQ:

I. THE IEA SHOULD PURSUE A COURSE OF ACTION THAT WOULD ESTABLISH, FOR THE GROUP AS A WHOLE, RESERVES FOR INTERNATIONAL MARINE BUNKERS PROVIDING A SIMILAR DEGREE OF SECURITY FOR THE GROUP AS IN THE CASE OF RESERVES FOR DOMESTIC DEMAND.

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II. WHILE RECOGNIZING THE NEED TO PROVIDE JOINTLY FOR SECURITY OF BUNKER SUPPLIES IN TIMES OF CRISIS, THE GROUP RECOGNIZED A PROBLEM IN PASSING ON THE COST OF THE CORRESPONDING STOCKBUILD TO THE USER COUNTRY. THIS MIGHT DISTORT THE PATTERN OF INTERNATIONAL BUNKERING, BECAUSE OF THE INCREASED COST OF BUNKERED FUELS IN THESE COUNTRIES, AND REDUCE THE PROPORTION OF SUPPLIES WHICH IEA COUNTRIES COULD THEMSELVES SUPPLY IN AN EMERGENCY.

III. ADDITIONALLY, THE GROUP AGREED TO RECOMMEND THAT STUDY OF THE FOLLOWING ISSUES BE UNDERTAKEN:

(A) DEVELOPMENT OF BETTER DATA ON DOMESTIC VS INTERNATIONAL BUNKER CONSUMPTION PATTERNS (BY THE OECD SECRETARIAT);

(B) ASSESSMENT OF THE NUMBER OF DAYS OF EXISTING AVAILABLE STOCKS FOR MARINE BUNKERS;

(C) NUMBER OF DAYS OF STOCKS WHICH SHOULD BE MAINTAINED;

(D) STORAGE FACILITIES, EXISTING AND TO BE DEVELOPED, TO INCLUDE QUESTION OF COSTS, LOCATION AND SECURITY;

(E) APPROPRIATE DEMAND RESTRAINT MEASURES DURING CRISIS;

(F) POSSIBLE PRIORITIES FOR DIFFERENT TYPES OF SHIPPING.

IV. THE AD HOC GROUP ASKED ITS MEMBERS TO BE PREPARED TO PRESENT AT THEIR NEXT MEETING THEIR OWN SPECIFIC PROBLEMS AND TO HAVE AN IDEA OF THE COST INVOLVED FOR 60 DAYS STORAGE FOR MARINE BUNKERS.

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